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PANHANDLE OIL AND GAS INC. REPORTS
FISCAL 2016 FIRST QUARTER RESULTS

OKLAHOMA CITY – PANHANDLE OIL AND GAS INC. (NYSE: PHX), the "Company," today reported financial and operating results for the 2016 fiscal first quarter ending Dec. 31, 2015.

FIRST QUARTER 2016 RESULTS HIGHLIGHTS

- Recorded first quarter 2016 net loss of $2,799,118, $0.17 per share, compared to net income of $10,233,761, $0.61 per share, for the 2015 first quarter.
- Recorded production of 3,143,400 Mcfe, compared to 3,737,483 Mcfe for the 2015 first quarter.
- Funded capital expenditures of $1.3 million for drilling and equipping wells for the 2016 first quarter with cash generated by operating activities of $7.7 million during the quarter.
- Collected $2.7 million from leasing out mineral acreage in the 2016 quarter (not included in $7.7 million of cash generated by operating activities).
- Reduced debt $8 million in the 2016 first quarter.

For the 2016 first quarter, the Company recorded a net loss of $2,799,118, $0.17 per share, compared to a net income of $10,233,761, $0.61 per share, for the 2015 first quarter. Net cash provided by operating activities decreased 50% to $7,650,218 for the 2016 first quarter, compared to the 2015 first quarter. Cash flow from operations fully funded all capital expenditures for drilling and equipping wells for the quarter of $1,286,114.

Total revenues for the 2016 first quarter were $11,462,125, compared to $30,999,170 for the 2015 first quarter. Oil, NGL and natural gas sales decreased $10,464,412 or 54% in the 2016 quarter, compared to the 2015 quarter, as a result of a 16% decrease in Mcfe production and a 45% reduction in the average sales price per Mcfe of production. Sales prices for oil, NGL and natural gas decreased 44%, 51% and 47%, respectively, for the 2016 first quarter when compared to the 2015 first quarter. The average sales price per Mcfe during the 2016 first quarter was $2.88, compared to $5.22 for the 2015 first quarter.

Oil production decreased 9% in the 2016 first quarter to 106,362 barrels, compared to 116,583 barrels in the 2015 first quarter. NGL production decreased 34% in the 2016 quarter to 48,051 barrels, and natural gas production decreased 15% for the 2016 first quarter, compared to the 2015 first quarter. The production volume declines are the result of normal decline in the Company's producing wells. Drilling and completion capital expenditures for the last year have been below levels required to add new production sufficient to offset this natural decline.

Lease operating expenses decreased to $1.13 per Mcfe in the 2016 quarter as compared to $1.28 in the 2015 quarter. The reduction was in part the result of operating efficiencies gained in the Eagle Ford Shale field due to the addition of a salt water disposal system and the electrification of the field. Further, natural gas related fees were down as natural gas production volumes and sales revenues were lower in the 2016 period. Depreciation, depletion and amortization (DD&A) increased principally as a result of lower oil, NGL and natural gas prices utilized in the 2016 period reserve calculations shortening the economic life of wells, which then results in lower projected remaining reserves and causes increased units of production DD&A. Impairment charges in the 2016 period related to more than 20 fields, which are principally oil and liquids rich properties.

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MANAGEMENT COMMENTS

Michael C. Coffman, President and CEO said, “At this point, 2016 is shaping up to be a continuation of difficult times for the energy industry. Product prices remain low; the outlook for oil and natural gas demand growth compared to production growth continues to result in oversupply and high inventory levels.

“The combined result of these factors has been a dramatic reduction in capital expenditures announced by virtually every company in the industry. Panhandle’s capital expenditure level has declined steadily over the last year, and we are fine with that, based on current product prices. We have been able to use the free cash flow to further reduce our debt, which today stands at $53.5 million. The $8 million debt reduction in the first quarter was the largest quarterly debt reduction in Company history, and was accomplished during these very difficult times in the industry.

“In addition, we are looking at all alternatives to maximize the value of our mineral acreage assets to position the Company to be in the best possible situation not only to ride out the current environment, but to be in a position to take advantage of strategic opportunities at the appropriate time.”

Paul Blanchard, Senior Vice President and COO said, “We have always considered our Company to be unique in the oil and gas business, and we have demonstrated that uniqueness during the current industry downturn. We have utilized our significant undeveloped mineral position to generate $4.6 million in cash proceeds in the last three quarters by leasing out 8,391 acres or 4.2% of our total 199,000 acres of undeveloped minerals. As a part of this leasing activity the Company has negotiated the right, on a unit by unit basis, to exercise the option to participate with up to a 10% working interest with our mineral holdings in two large blocks in the Permian Basin that have the potential to become significant oil fields with several hundred producing wells. As always, we will also generate non-cost bearing royalty income on all production from these leased lands whether or not we participate with a working interest. In addition, the Company is currently analyzing expressions of interest to lease other material undeveloped mineral holdings. Our approach to this part of our business remains consistent, we lease out our mineral holdings only where we believe the lease bonus and royalty income will exceed the risk adjusted present value of participating as a working interest owner.

“We have been generating significant lease bonus income and greatly expanding the royalty and working interest opportunities for Panhandle during this industry downturn. Most other oil and gas companies, who are not mineral owners, have been forced to drill wells and expend precious capital to preserve their opportunity or lose the land and right to drill as their undeveloped leasehold expires. They also have to invest additional capital to lease minerals in new areas in order to expand their opportunity. Panhandle’s mineral holdings are perpetual and therefore never expire. As a result, we are never forced to drill wells to preserve our mineral acreage. These facts clearly differentiate our assets and strategy from others and accentuate the conservative strength of our Company and its benefits during difficult times in the industry.”

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FINANCIAL HIGHLIGHTS

Statements of Operations

	Three Months Ended Dec. 31, 2015	Three Months Ended Dec. 31, 2014
	(unaudited)	
Revenues:		
Oil, NGL and natural gas sales	$ 9,055,288	$ 19,519,700
Lease bonuses and rentals	2,425,504	29,291
Gains (losses) on derivative contracts	(34,936)	11,250,265
Income from partnerships	16,269	199,914
	11,462,125	30,999,170
Costs and expenses:		
Lease operating expenses	3,566,536	4,785,350
Production taxes	321,841	622,512
Exploration costs	27,790	25,352
Depreciation, depletion and amortization	6,957,652	6,139,019
Provision for impairment	3,733,273	2,191,997
Loss (gain) on asset sales and other	(269,706)	(1,982)
Interest expense	360,562	402,733
General and administrative	1,912,079	1,958,428
Bad debt expense (recovery)	19,216	-
	16,629,243	16,123,409
Income (loss) before provision (benefit) for income taxes	(5,167,118)	14,875,761
Provision (benefit) for income taxes	(2,368,000)	4,642,000
Net income (loss)	$ (2,799,118)	$ 10,233,761
Basic and diluted earnings (loss) per common share	$ (0.17)	$ 0.61
Basic and diluted weighted average shares outstanding:		
Common shares	16,563,942	16,494,805
Unissued, directors' deferred compensation shares	255,060	262,121
	16,819,002	16,756,926
Dividends declared per share of common stock and paid in period	$ 0.04	$ 0.04
Dividends declared per share of common stock and to be paid in quarter ended March 31	$ 0.04	$ 0.04

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Balance Sheets

	Dec. 31, 2015 (unaudited)	Sept. 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 1,503,691	$ 603,915
Oil, NGL and natural gas sales receivables (net of allowance for uncollectable accounts)	5,540,926	7,895,591
Refundable income taxes	-	345,897
Refundable production taxes	474,839	476,001
Derivative contracts, net	636,114	4,210,764
Other	911,340	252,016
Total current assets	9,066,910	13,784,184
Properties and equipment, at cost, based on successful efforts accounting:		
Producing oil and natural gas properties	441,316,100	441,141,337
Non-producing oil and natural gas properties	7,694,635	8,293,997
Other	1,055,935	1,393,559
	450,066,670	450,828,893
Less accumulated depreciation, depletion and amortization	(234,432,151)	(228,036,803)
Net properties and equipment	215,634,519	222,792,090
Investments	173,423	2,248,999
Total assets	$ 224,874,852	$ 238,825,273
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,397,076	$ 2,028,746
Deferred income taxes	863,100	1,517,100
Income taxes payable	1,073,551	-
Accrued liabilities and other	1,491,077	1,330,901
Total current liabilities	5,824,804	4,876,747
Long-term debt	57,000,000	65,000,000
Deferred income taxes	36,025,907	39,118,907
Asset retirement obligations	2,861,160	2,824,944
Stockholders' equity:		
Class A voting common stock, $.0166 par value; 24,000,000 shares authorized, 16,863,004 issued at Dec. 31, 2015, and Sept. 30, 2015	280,938	280,938
Capital in excess of par value	2,915,219	2,993,119
Deferred directors' compensation	3,170,219	3,084,289
Retained earnings	121,309,373	125,446,473
	127,675,749	131,804,819
Less treasury stock, at cost; 284,593 shares at Dec. 31, 2015, and 302,623 shares at Sept. 30, 2015	(4,512,768)	(4,800,144)
Total stockholders' equity	123,162,981	127,004,675
Total liabilities and stockholders' equity	$ 224,874,852	$ 238,825,273

Condensed Statements of Cash Flows

	Three months ended Dec. 31, 2015	2014
	(unaudited)	
Operating Activities		
Net income (loss)	$ (2,799,118)	$ 10,233,761
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	6,957,652	6,139,019
Impairment	3,733,273	2,191,997
Provision for deferred income taxes	(3,747,000)	1,184,000
Exploration costs	27,790	25,352
Gain from leasing of fee mineral acreage	(2,425,131)	(29,162)
Net (gain) loss on sale of assets	(271,080)	-
Income from partnerships	(16,269)	(199,914)
Distributions received from partnerships	36,253	256,017
Directors' deferred compensation expense	85,930	101,589
Restricted stock awards	371,407	165,111
Bad debt expense (recovery)	19,216	-
Cash provided (used) by changes in assets and liabilities:		
Oil, NGL and natural gas sales receivables	2,335,449	2,672,119
Fair value of derivative contracts	3,574,650	(10,431,194)
Refundable production taxes	1,162	13,205
Other current assets	(659,324)	99,085
Accounts payable	(484,882)	565,409
Income taxes receivable	345,897	-
Income taxes payable	1,073,551	2,891,600
Accrued liabilities	(509,208)	(692,505)
Total adjustments	10,449,336	4,951,728
Net cash provided by operating activities	7,650,218	15,185,489
Investing Activities		
Capital expenditures, including dry hole costs	(1,286,114)	(14,901,631)
Proceeds from leasing of fee mineral acreage	2,693,812	29,798
Investments in partnerships	44,842	(173,103)
Proceeds from sales of assets	627,547	-
Net cash provided by (used in) investing activities	2,080,087	(15,044,936)
Financing Activities		
Borrowings under debt agreement	2,958,515	12,335,774
Payments of loan principal	(10,958,515)	(11,620,667)
Purchase of treasury stock	(117,165)	(120,611)
Payments of dividends	(668,364)	(666,199)
Excess tax benefit on stock-based compensation	(45,000)	(59,000)
Net cash provided by (used in) financing activities	(8,830,529)	(130,703)
Increase (decrease) in cash and cash equivalents	899,776	9,850
Cash and cash equivalents at beginning of period	603,915	509,755
Cash and cash equivalents at end of period	$ 1,503,691	$ 519,605
Supplemental Schedule of Noncash Investing and Financing Activities		
Dividends declared and unpaid	$ 669,618	$ 666,824
Additions to asset retirement obligations	$ 4,524	$ 26,452
Gross additions to properties and equipment	$ 3,455,245	$ 13,469,206
Net (increase) decrease in accounts payable for properties and equipment additions	(2,169,131)	1,432,425
Capital expenditures and acquisitions, including dry hole costs	$ 1,286,114	$ 14,901,631

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PRODUCTION

	First Quarter Ended Dec. 31, 2015	First Quarter Ended Dec. 31, 2014
Mcfe Sold	3,143,400	3,737,483
Average Sales Price per Mcfe	$ 2.88	$ 5.22
Oil Barrels Sold	106,362	116,583
Average Sales Price per Barrel	$ 39.34	$ 70.87
Mcf Sold	2,216,922	2,601,161
Average Sales Price per Mcf	$ 1.92	$ 3.59
NGL Barrels Sold	48,051	72,804
Average Sales Price per Barrel	$ 12.78	$ 26.19

Quarter ended	Oil Bbls Sold	Mcf Sold	NGL Bbls Sold	Mcfe Sold
12/31/2015	106,362	2,216,922	48,051	3,143,400
9/30/2015	112,237	2,261,236	47,738	3,221,086
6/30/2015	109,738	2,407,049	41,737	3,315,899
3/31/2015	114,567	2,475,777	48,681	3,455,265
12/31/2014	116,583	2,601,161	72,804	3,737,483

The Company's derivative contracts in place for natural gas at Dec. 31, 2015, are outlined in its Form 10-Q for the period ending Dec. 31, 2015.

Panhandle Oil and Gas Inc. (NYSE: PHX) is engaged in the exploration for and production of natural gas and oil. Additional information on the Company can be found at www.panhandleoilandgas.com.

Forward-Looking Statements and Risk Factors – This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include current expectations or forecasts of future events. They may include estimates of oil and gas reserves, expected oil and gas production and future expenses, projections of future oil and gas prices, planned capital expenditures for drilling, leasehold acquisitions and seismic data, statements concerning anticipated cash flow and liquidity and Panhandle's strategy and other plans and objectives for future operations. Although Panhandle believes the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to be correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Factors that could cause actual results to differ materially from expected results are described under "Risk Factors" in Part 1, Item 1 of Panhandle's 2015 Form 10-K filed with the Securities and Exchange Commission. These "Risk Factors" include the worldwide economic recession's continuing negative effects on the natural gas business; Panhandle's hedging activities may reduce the realized prices received for natural gas sales; the volatility of oil and gas prices; the Company's ability to compete effectively against strong independent oil and gas companies and majors; the availability of capital on an economic basis to fund reserve replacement costs; Panhandle's ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of oil and gas reserves and projecting future rates of production and the amount and timing of development expenditures; uncertainties in evaluating oil and gas reserves; unsuccessful exploration and development drilling; decreases in the values of our oil and gas properties resulting in write-downs; the negative impact lower oil and gas prices could have on our ability to borrow; drilling and operating risks; and we cannot control activities on our properties as the Company is a non-operator.

Do not place undue reliance on these forward-looking statements, which speak only as of the date of this release, as Panhandle undertakes no obligation to update this information. Panhandle urges you to carefully review and consider the disclosures made in this presentation and Panhandle's filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect Panhandle's business.

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